

**NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF LIFE AND HEALTH
VALUATION BUREAU
POST OFFICE BOX 325
20 WEST STATE STREET
TRENTON, NEW JERSEY 08625**

**HEALTH MAINTENANCE ORGANIZATION (“HMO”) APPLICATION FOR A
NEW CERTIFICATE OF AUTHORITY**

INTRODUCTION

The information requested in this application are based upon the New Jersey Health Maintenance Organization Act (N.J.S.A. 26-2J-1, et seq.), regulations (N.J.A.C. 11:24-1, et seq.) and bulletins.

The applicant is expected to demonstrate that each licensing requirement is met. The Commissioner’s decision whether to grant a COA is based upon the analysis of the documents submitted. The application shall be deemed complete when all the required information is filed on forms and in the format prescribed by use, pursuant to the procedures described below.

INSTRUCTIONS

1. Four copies of the application must be submitted; four (4) copies to:

**NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF LIFE AND HEALTH
VALUATION BUREAU
POST OFFICE BOX 325
20 WEST STATE STREET
TRENTON, NEW JERSEY 08625-0325**

If Medicaid services are involved, forward one copy of the application to:

**NEW JERSEY DEPARTMENT OF HUMAN SERVICES (“DMAHS”)
OFFICE OF MANAGED HEALTH CARE
QUAKERBRIDGE PLAZA
P.O. BOX 712
TRENTON, NEW JERSEY 08625**

2. A check or money order for \$100 payable to “State of New Jersey- General Treasury” is to accompany the application.

3. Complete the application Cover Sheet and provide all narratives and documents as described in the ensuing sections. The Cover Sheet must include an original signature by the President/CEO or other responsible officer of the HMO.

4. Number each narrative and document according to the number to which it corresponds, (e.g. II. Organization/Legal). Number each page consecutively in the upper right hand corner, throughout the filing. Tabs should be inserted indicating each of the six major sections of the application. All exhibits, charts, etc. should be in the appropriate section and placed in three-ring binders with the identifying information on the front and the spine.

5. If the applicant is offering HMO coverage to the Individual and Small Employer Groups (2-50 employees) market, provide certification that the contracts, evidence of coverage forms and rates have been or shall be properly filed or certified pursuant to N.J.S.A. 17B:27A-1 et.seq., N.J.A.C. 11:20 et.seq. N.J.A.C. 11:21-1 et seq.

**HEALTH MAINTENANCE ORGANIZATION
APPLICATION FOR A NEW CERTIFICATE OF AUTHORITY**

COVER SHEET

1. _____
Name of Health Maintenance Organization
- 1a. _____
NAIC Number
- 1b. _____
FEIN Number
2. _____
Address
3. _____
City
4. _____
County
5. _____
State
6. _____
Zip Code
7. _____
Chief Executive Officer
- 7a. _____
Telephone Number
- 7b. _____
Fax Number
- 7c. _____
Email Address
8. _____
Application Administrative Contact
- 8a. _____
Telephone Number
- 8b. _____
Fax Number
- 8c. _____
Email Address
9. _____
Application Financial Contact
- 9a. _____
Telephone Number
- 9b. _____
Fax Number
- 9c. _____
Email Address

10. Plan offered or applied for: (check all that apply):

HMO Start up _____

11. a. Large Group (over 50) _____

Small Group (2-50) _____

Individual _____

b. Commercial _____

Medicaid _____

Medicare _____

c. Point-of Service _____

d. Open Access _____

e. Other _____ (Please describe in detail)

12. For-Profit _____

Not-For- Profit _____

13. _____
Anticipated date of operation in New Jersey.

14. _____
Proposed service area. List Counties.

15. Will a Federal Qualification be filed? Yes _____ No _____

16. _____
Parent Company Name

16a. _____
Parent Contact Person

16b. _____
Telephone Number 16c. Fax Number

16d. _____
Email Address

17. _____
Guarantor (If different from Parent)

17a. _____
Guarantor Contact Person

17b. _____
Telephone Number 17c. Fax Number

17d. _____
Email Address

I CERTIFY that all information and statements made in this application are true,
complete and current to the best of my knowledge and belief.

18. _____
Name and Title* Original Signature Date

*Must be President/CEO or other responsible senior officer.

A. General/Commercial Application

I. General Description

1. Describe the HMO's origin and structure. Include a discussion of the parent and all affiliates and their current activities. Include a discussion of guarantor if other than parent or affiliate.
2. Initial applicants must provide a history of financial results over the last five years of the Capital and Surplus guarantor (GAAP audited balance sheet and Revenue and Expense Statement or 10K filing acceptable).
3. Include a mission statement and summary of a three year business plan.

II. Organizational/Legal

1. Provide the organizational documents (articles of incorporation, partnership agreements, articles of association, management agreements or other documents governing the operations applicable to the form of business of the HMO:
2. If not a New Jersey corporation, submit a copy of the HMO's certificate from the Department of Treasury certifying the HMO is registered to do business in New Jersey. Submit copies of all changes filed leading to the HMO's current name.
3. Provide a copy of the bylaws, rules or similar documents relating the conduct of the internal affairs of the applicant.
4. Provide a list of owners of the HMO:
 - a. Include all owners with a 10% or greater ownership share;
 - b. List all non-owner investors, their level of investment and describe the structure of the investment.
5. Provide a list of the names, addresses, official positions provide biographical affidavits (use NAIC biographical affidavit) of persons responsible for the conduct of the affairs of the HMO, including but not limited to the board of directors, executive committee, or members of other governing board or committee; the principal officers or partners; shareholders owning or having the right to acquire 10% or more interest in the HMO; and the New Jersey Medical Director. Provide a statement of any criminal convictions and civil, regulatory

or enforcement actions, including actions related to professional licensing, taken or pending.

6. Please depict the following charts:
 - a. All contractual arrangements of the health care delivery system
 - b. Internal management and administrative staff of the HMO
 - c. Identify relationships between and among the applicant and all affiliates
7. Provide a list of in-force insurance covering the HMO, including where applicable:
 - a. A cover-note or declaration page for stop loss insurance;
 - b. A complete fully executed policy for insolvency coverage to include at a minimum:
 - 1) Continuation of coverage to end of premium paying period;
 - 2) Continuation of in-patient coverage to date of discharge;
 - c. A cover note or declaration page for malpractice for the HMO and employed providers;
8. Provide a copy of the approval of the Attorney General's office in the case of purchase and/or conversion from non-profit to for-profit status. Provide a detailed description of any charitable trust or similar organization established in relation to a conversion to for-profit status.
9. For an initial COA application, provide a copy of the Power of Attorney duly executed by the applicant, if not domiciled in this State, appointing the Commissioner and his or her successors in office, and duly authorized designees, as the true and lawful attorney of the applicant in and for this State upon whom all lawful process in any legal action or proceeding against the HMO on a cause of action arising in this State may be served.
10. Provide a specimen copy of provider contracts between each type of provider (e.g. physician, specialist, hospital, ancillary) and the HMO, including all referenced appendices and descriptions of any compensation program involving incentive or disincentive payment

arrangements. Include all variants of contracts for a particular service provider.

11. Please provide a copy of all contracts between the HMO and services being subcontracted including contracts with: Organized Delivery Systems, Pharmacy Benefit Managers, PPO and other entities providing health services to HMO members. Please include a specimen copy of the contracts between all subcontracting entities and their individual participating providers. If the contracting party is a licensed or certified ODS and has already filed the forms with the Department, please submit a list of contracts submitted to the Department by the ODS including the form number and date of approval.
12. Provide copies of any contracts made or to be made between any persons listed in numbers 4 and 5(above) and the HMO.
13. Provide copies of any contract made or to be made with an insurer, a medical or health service corporation, TPA or other entity and the HMO for the provision of administrative, claims or management services.
14. Provide a description of the mechanism by which members and providers will be afforded the opportunity to participate in matters of policy and operation.
15. Provide a statement from an officer of the HMO attesting that it and all affiliated entities have been in compliance with all applicable State and Federal laws for the last 12 months.
16. Please certify as to whether or not the applicant or any affiliates has ever been penalized by any State or Federal agency and/or has ever been under special financial supervision by a State or Federal agency? If penalized or otherwise sanctioned, please provide the details of such actions against the plan.

III. Health Care Services

1. Summary description of the health care delivery systems. Overview of how health care delivery systems works-include a short description of how adequacy of numbers and types of providers to enrollees is achieved, how quality is monitored and improved, how under-utilization and over-utilization are controlled, how emergency/urgent care is delivered on a timely basis, how patient and provider complaints are adjudicated, and describe arrangements for assuring

access to health care for “culturally and linguistically diverse” members.

2. Directory of providers by specialty and by county. Please include provider’s name, office address, phone number, specialty and hospital affiliation. Indicate whether board certified or board eligible.
3. Table: Summary of Physicians by County. The numbers and types of providers by county listed on this table must correspond with the numbers and types of providers listed in the directory. There should be at least two (2) providers in every specialty of every county in the HMO’s service area. In the event there are no participating providers of a specialty within a county, indicate the number of physicians from adjacent counties that will serve members of the county where specialists are missing. For those counties where a specialty provider is missing and services are being delivered in an adjacent county, identify the number of specialists from the adjacent county. Those alternative providers should be listed in a separate attachment identifying the provider name, address, city/town, county, telephone number, specialty, hospital affiliation and the county the provider is supplementing.

In addition, submit a certification signed by an officer of the company attesting that all participating providers represented as such are licensed, credentialed, have the capacity and are willing to provide medical care to enrolled members.

4. Table: General Acute Hospitals. Please complete the table.
5. Table: Summary of Ancillary and Specialized Providers by County. In those counties where no participating provider is available, explain how members will access those services.
6. Please submit county specific maps detailing the location of primary care physicians and frequently used specialists.
- 6A. Provide a detailed network capacity analysis for each county based on each county’s projected enrollment after one year. Also include in this section the plan’s standards for assuring that the numbers and types of providers keep pace with enrollment growth.
7. Continuous Quality Improvement (CQI)
 - a. Submit a full description, one page summary and one page flow cart of a system wide continuous quality improvement

program. The program must be under the direction of the medical director and shall include:

- 1) Description of the plan's provider credentialing policies and procedures.
- 2) Specifications of standards of care, criteria and procedures for assessing the quality, adequacy and appropriateness of health care resources utilized.
- 3) A system of ongoing evaluation activities including focused case reviews as well as pattern analysis.
- 4) A system of monitoring member and provider satisfaction and feedback.
- 5) Procedures for conducting peer review.
- 6) A system to coordinate the CQI program with other performance of monitoring activities including at least utilization management, risk management, member and provider complaints programs.
- 7) A system to evaluate the effectiveness of the CQI program. Describe the multidisciplinary CQI Committee and its responsibilities and the Board of Directors involvement with the CQI program including the mechanism by which the Board of Directors shall be apprised of all CQI activities.

(a) A description of the plan for external quality audit.

(b) A description of the system to compile performance and outcome data.

8. Utilization Management (UM)

- a. Submit a full description, one page summary and one page flow chart of a comprehensive utilization management program. The program must be under the direction of the medical director and shall include:

- 1) Procedures to evaluate medical necessity including written criteria and protocols used in decision making.

- 2) Mechanisms to detect under utilization and over utilization.
 - 3) Outcome and process measures
 - 4) Mechanism to evaluate member satisfaction with complaint system and utilization management appeals systems
 - 5) Mechanism for developing and updating clinical criteria and protocols which shall be readily available to members and providers. Describe how clinical criteria and protocols are developed with involvement from participating physicians and other licensed providers with the network.
- b. Describe utilization management staff education and experience and their availability.
 - c. Submit all policies and procedures for staff rendering utilization management determination.
 - d. Submit a full description, one page summary, and one page flow chart of the HMO's appeal process of utilization management determinations. The appeal process shall consist of an informal internal review by the HMO (stage 1 appeal), a formal internal review by the HMO (stage 2 appeal) and a formal external review (stage 3 appeal) by an independent utilization review organization (IURO).
9. Member Services. Please submit a detailed description of the Plan's member services system, including the Plan's policies and procedures regarding the implementation of member rights, along with a one page summary and flow chart of the program's major activities.
 10. Complaint and Appeal System. Please submit a detailed description of the Plan's complaint and appeal system for members and providers as outlined in N.J.A.C. 11:24-3.6. Include a one page summary and flow chart of the program's major activities.
 11. Emergency/Urgent Care. Please submit a detailed description of how emergency/urgent medical services will be available 24 hours a day, seven days a week, along with a one page summary.

IV. Information System

1. Provide a description of the information system used to support quality improvement and utilization management.
 - a. Include a description of data systems used to collect and analyze performance measures. Please identify performance measurement system used (i.e. HEDIS),
 - b. Include a description of data systems used for clinical management and evaluation of clinical services.
2. Provide a description of the information systems used to support member services and member and provider complaint and appeal systems.
3. Provide a description of information systems used to credential and recredential providers.
4. Provide a description of the collection and use of encounter data. Include a copy of encounter forms used and listing of data elements collected.
5. Provide a description of the methods used to verify and improve data quality. Include descriptions of procedures used to monitor data element accuracy and reliability, to oversee data input, storage, and retrieval, and to access the completeness of data.
6. Provide a description of data security and confidentiality procedures.

V. Claims Systems

1. Provide an explanation of the system used to monitor the quality, accuracy, and timeliness of claim and capitation payments.
2. Describe the HMO's Open and Unreported (O&U) claim tracking system, Coordination of Benefits (COB) and reinsurance recouping systems.
3. Provide a description of how claims are tracked for timely payment in accordance with N.J.S.A. 26:2J-8.1 and associated agreements, if any, and how interest is determined if payments to providers or subscribers are late. How does a provider "prove" when a claim was submitted? Please demonstrate how you are in compliance with NJAC 11:22, et seq.

4. If applicable, provide a description of how the HMO will subrogate against a third party.
5. If claims are being process by a third party, submit the contract establishing the responsibilities of all parties. Is the party a licensed or registered TPA as required by N.J.S.A. 17B:27B-1, et seq?

VI. Marketing

1. Provide a description of significant service area demographics by county (overall population figures, age/sex mix, social/demographic factors, etc.) which will affect enrollment. Separate for commercial, Medicare and Medicaid.
2. Comment on the effect of competition among the two or three largest HMO's in the proposed counties and this HMO in terms of benefits, rates, and market penetration.
3. Provide a description of the HMO's marketing strategy including, but not limited to, use of agents, sales representatives, brokers, salaried employees or other distribution systems. Include the organizational structure for marketing. Separate individual, small group, large group, Medicare and Medicaid. Include any underwriting guidelines the HMO proposes to use in the large group market.
4. Describe system for monitoring, marketing, projections of marketing staff to assure ethical professional marketing behavior of agents.
5. Provide a breakdown of the HMO's marketing budget separating commercial, Medicare and Medicaid as follows:

a. Salaries	\$_____	\$_____	\$_____
b. Administration/other	\$_____	\$_____	\$_____
c. Advertising/PR	\$_____	\$_____	\$_____
d. Commissions	\$_____	\$_____	\$_____
e. Total marketing			
Budget	\$_____	\$_____	\$_____
f. Total Administrative			
Budget	\$_____	\$_____	\$_____
6. Provide enrollment projections by county on a monthly basis for the first year of operation. These projections should be separated by line of business and must be accompanied by realistic, specific assumptions. The projections should be broken out by male/female under age 18, 19-64, and 65 and over.

VII. Financial

1. Provide the most recently audited financial statements of the HMO (statutory basis, GAAP basis is acceptable if no statutory audit) and parent (or affiliate if it is to be the Capital and Surplus Guarantor) with the internal control letter prepared by the independent CPA. (N.J.A.C. 11:24-11.6(b)3)
2. Provide the most recent unaudited financial statements of the HMO and parent (or affiliate).
3. Provide quarterly projections for the HMO up to the year following “break even” but not less than three years in total. The projections shall include:
 - Proforma Balance Sheet, Income Statement, Statement of Cash Flows, and enrollment data. The Income Statement and enrollment data shall be segregated and subtotaled by Commercial, Medicare, and Medicaid lines of business if applicable.
 - Calculation of the Medical Loss Ratio (MLR), Administrative Expense Ratio (AER) and IBNR.
 - Calculation of the Minimum Net Worth required pursuant to (NJAC 11:24-11.1(b) and Risk Based Capital (RBC) required pursuant to (NJAC 11:2-39), with a demonstration that the HMO will meet the greater of the Minimum Net Worth requirement and the RBC requirement. Please note that the RBC requirement effectively eliminates the phase in provision found at NJAC 11:24-11.1(b) 4.
 - Assumptions explaining every line item of the projections, i.e., MLR, AER, IBNR etc.
4. The source of the initial capital to support the plan to “breakeven” must be identified. (N.J.A.C. 11:24-11.1(b)4)
5. Provide the investment strategy in sufficient detail to demonstrate compliance with the 60% liquidity requirement set forth at NJAC 11:24-11.1(c) and investment requirements set forth in NJSA 17B:20-1, et seq.
6. Provide a signed copy of the attached Capital and Surplus Guaranty with the accompanying Board of Directors resolution. A guarantor must meet the requirements of NJAC 11:24-11.1(d).

7. Demonstrate that the HMO shall meet the minimum solvency requirements for administrative expenses (20% of minimum net worth requirement between \$300K and \$1,000K adjusted annually by CPI) (N.J.A.C. 11:24-11.4 a,b). As of 6/30/05 the minimum is \$423K and the maximum is \$1,454K. (Please check with the Department as these requirements are subject to change.)
8. Demonstrate that the HMO shall meet the insolvency deposit for claims per N.J.A.C. 11:24-11.4(d). The calculation is 50 percent of the highest calendar quarterly premium for the preceding calendar year. (Note the two year phase in for HMOs.)
9. Describe in a one page summary the HMOs Financial Management Information System.
10. Provide a plan for continuation of services upon the declaration of insolvency (N.J.A.C. 11:24-11.5).

ADDENDUM

Upon approval of the application and issuance of the Certificate of Authority, the policy forms and rate filings must be filed with the Department. No policy forms or rate filings shall be delivered or issued unless approved by the Department of Banking and Insurance.

1. Please forward the policy forms and all amendments thereto (i.e. Group policy, certificate of coverage) to:

MICHAEL MALLOY
CHIEF
HEALTH INSURANCE BUREAU
DEPARTMENT OF BANKING AND INSURANCE
P.O. BOX 325
TRENTON, NJ 08625-0325

2. Please forward rate filings to:

NEIL VANCE
CHIEF ACTUARY
LIFE AND HEALTH ACTUARIAL
DEPARTMENT OF BANKING AND INSURANCE
P.O. BOX 325
TRENTON, NJ 08625-0325

The following is a list of requirements for all licensed HMO's.

1. HMOs are subject to the NJ Corporate Business Tax.
2. HMOs are assessed 1% of their commercial and Medicaid direct written premium on a quarterly basis.
3. HMOs must submit a business plan if their minimum net worth calculation is less than 125% of the minimum requirement (N.J.A.C. 11:24-11.6(f) or between 150% and 200% of the RBC requirement (N.J.A.C. 11:2-39).
4. HMOs must file quarterly actuarial certifications.
5. Provide a rate filing for each large group product.

6. HMOs must file a plan for continuation of services upon the declaration of insolvency. (N.J.A.C. 11:24-11.5)
7. HMOs must file in accordance with the Holding Company Act. (N.J.S.A. 17:27A). (note 1/3 BOD rule and independent committee)
8. HMOs are required to have a financial condition examination performed every three years with the cost borne by the HMO. (N.J.S.A. 26:2J-18.1)
9. HMOs must file quarterly financial statements.
10. HMOs must file Annual Financial Statements by March 1st of each year pursuant to NJSA 26:2J-9.
11. File an Annual Supplement as required by N.J.A.C. 11:24-3.8(a) 2.